

2005-07 BUDGET OUTLOOK – REVISED 11/19/2004

Summary

The November general fund revenue forecast for the 2005-07 biennium is \$24.7 billion. Reserves in the current biennium that can be used to balance the budget next biennium are now anticipated to be \$641 million.

Expenditure estimates for the cost of current services next biennium and \$200 million supplemental for this biennium are \$25.9 billion, creating an anticipated gap between revenue and expenses of about \$1.1 billion.

Additionally, spending requests for the cost of state employee collective bargaining, public school employee health care costs, vendor rate increase, and additional higher education enrollments would increase the gap by an additional \$735 million to \$1.8 billion.

Any additional requests for spending increases or tax reductions would further add to the size of the budget problem.

“Current services” budget in 2005-07

In 2003-05 the biennial budget totaled \$23.2 billion. It is currently estimated that the 2005 supplemental budget will be approximately \$200 million. To pay for the same services in the 2005-07 biennial budget, spending would need to grow to \$25.9 billion.

	(\$ Millions)
2003-05 Appropriation	\$23,246
2005 Supplemental Appropriation	200
Adjusted 2003-05 Appropriation	\$23,446
Pension Rate Changes	628
Medical Assistance (including the HSA deficit)	606
K-12	412
I-732 COLA	132
Other Human Services	419
Other mandatory costs (Fire Suppression, Debt Services, and adjustment for bowwaves)	218
TOTAL 2005-07	\$25,861

It is projected to cost \$2.6 billion to fund the anticipated growth in the cost of these current services. This would be an increase of over 10%. The 2003-05 biennial budget increased by 3.1% over the 2001-03 budget. Biennial budgets have increased an average of about 7.4% since the I-601 expenditure limit has been in effect.

State Collective Bargaining and Other Typical Enhancements

A typical budget would fund current programs and provide some additional funds to deal with inflation and the demand for higher education. Below are the estimate costs for some of these enhancements. Funding all of these items would add over \$700 million to the size of the budget problem.

	(\$ Millions)
<i>State Employee and Public School Health Care Benefits</i>	\$371
<i>State Employee COLA - (assumes average at Federation contract level of 3.2% and 1.6%)</i>	189
<i>Salary survey funding (per Federation and Teamster contracts)</i>	25
<i>Vendor COLA- (equal to IPD at 1.5% and 2.0%) Includes Homecare Workers</i>	113
<i>Maintain Current Higher Education Access</i>	37
Total	\$735